

## Message Text

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E.O. 11652: N/A  
TAGS: ECON, EEWT, ECTN, GE  
SUBJ: GM DISCUSSIONS WITH THE GDR

REF: BERLIN A-40

1. BETWEEN AUGUST 1-4, J. J. BODIE, DIRECTOR-SALES DEVELOPMENT, EASTERN EUROPE, GENERAL MOTORS OVERSEAS CORPORATION, VISITED BERLIN FOR A SERIES OF CALLS ON GDR FOREIGN TRADE OFFICIALS. BODIE BROUGHT WITH HIM A COPY OF A JULY 14 LETTER FROM P. G. NEWTON, VICE PRESIDENT, GMOC, TO STATE SECRETARY FOR FOREIGN TRADE GERHARD BEIL SUGGESTING A MEETING BETWEEN THE TWO IN LATE AUGUST OR EARLY SEPTEMBER TO DISCUSS THE POSSIBILITIES FOR GM-GDR AUTOMOTIVE COOPERATION. BODIE ALSO CARRIED COPIES OF TWO FRAMEWORK COOPERATION AGREEMENTS WHICH HE INTENDED TO TRANSMIT TO GDR OFFICIALS. ONE OF THE AGREEMENTS WAS A DRAFT FRAMEWORK AGREEMENT FOR GM-GDR COOPERATION WHILE THE SECOND ESTABLISHED PARAMETERS FOR DETAILED DISCUSSIONS ON A JOINT PRODUCTION OF A SMALL  
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AUTOMOBILE.

2. ACCORDING TO BODIE, GM'S DISCUSSIONS WITH THE GDR ARE FOLLOWING SEVERAL INDEPENDENT LINES. GM HAS INDICATED TO THE GDR ITS INTEREST IN IMPORTING MACHINE TOOLS FOR VAUXHALL MOTORS IN ENGLAND AS WELL AS CERTAIN AUTOMOTIVE COMPONENTS. IN NEGOTIATING WITH THE GDR,

BODIE INDICATED HE WAS TAKING THE POSITION THAT ANY GM PURCHASES OF MACHINE TOOLS OR OTHER GOODS FROM THE GDR SHOULD BE CREDITED AGAINST ANY GDR COUNTERTRADE OBLIGATION ARISING FROM SALES OF GM PLANT AND AUTOMOTIVE COMPONENTS IN CONNECTION WITH JOINT DEVELOPMENT OF A SMALL CAR OR OTHER FUTURE GDR SALES. THUS, IF GM WERE TO BECOME OBLIGATED TO PURCHASE GDR GOODS EQUAL TO THE ENTIRE HARD-CURRENCY COST OF ALL SMALL CAR RELATED GDR IMPORTS, IT IS POSSIBLE THAT PART OF GM'S OBLIGATION WILL HAVE BEEN LIQUIDATED IN ADVANCE THROUGH MACHINE TOOL PURCHASES. BODIE ALSO INDICATED THAT GM MAY PURCHASE AUTOMOTIVE COMPONENTS IN EXCHANGE FOR GM PRODUCED AUTOMOBILES.

3. ON AUGUST 4, BODIE MET WITH SIEBOLD KIRSTEN, GENERAL DIRECTOR, MINISTRY OF FOREIGN TRADE. BODIE CHARACTERIZED THE MEETING WITH KIRSTEN AS ENCOURAGING, BUT SAID THAT KIRSTEN WAS UNABLE TO GIVE ANY DEFINITE ANSWER ON A MEETING BETWEEN NEWTON AND BEIL, SINCE BEIL WAS AWAY ON VACATION. BODIE ASKED KIRSTEN IF IT WAS TOO EARLY TO RAISE DISCUSSION OF POSSIBLE SALES OF GM TEREX EARTH MOVING EQUIPMENT IN CONNECTION WITH CONSTRUCTION OF A NORTHERN AUTOBAHN LINK BETWEEN BERLIN AND HAMBURG. KIRSTEN REPLIED TO THE EFFECT THAT IT WOULD BE WORTHWHILE TO DISCUSS THESE COMMERCIAL POSSIBILITIES IN ANTICIPATION THAT THERE WOULD BE A NEED.

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4. IN THE COURSE OF HIS VISIT, BODIE CALLED UPON FTO'S INDUSTRIEANLAGEN (GM'S CONTACT POINT ON THE POSSIBLE JOINT-AUTOMOTIVE PROJECT), TRANSPORTMASCHINEN (AUTOMOTIVE COMPONENTS) AND WMW (MACHINE TOOLS). BODIE ALSO DISCUSSED SALES OF TEREX EARTH MOVING EQUIPMENT WITH SIEGFRIED BRUECKNER, VICE PRESIDENT OF THE GDR FOREIGN TRADE AGENCY TRANSINTER.

5. COMMENT: GDR AUTOMOTIVE PLANNERS APPEAR TO HAVE ACCEPTED THE NECESSITY OF EXPANDING AND MODERNIZING AUTOMOTIVE PRODUCTION AND HAVE EMBARKED ON A COURSE OF ACTION WHICH WILL LEAD TO INTRODUCTION OF A NEW FOUR-CYCLE AUTOMOBILE IN THE EARLY TO MID-1980'S. WHILE CONTRACTS FOR ONE IMPORTANT AUTOMOTIVE COMPONENT (DRIVESHAFT) PRODUCTION FACILITY HAVE ALREADY BEEN SIGNED WITH CITROEN, THE QUESTION OF WHERE THE NEW AUTOMOBILE WILL BE ASSEMBLED REMAINS OPEN. THE GDR IS REPORTED TO HAVE CONTACTS WITH CZECHOSLOVAKIA LOOKING TOWARD A JOINT AUTOMOTIVE PROJECT FOR MANY YEARS AND PRESENT MOVEMENT SHOULD BE VIEWED IN LIGHT OF THAT BACKGROUND. HOWEVER, THE LENGTH OF TIME IT HAS TAKEN THESE PLANS TO COALESCE AND THE WILLINGNESS OF THE GDR TO ENTERTAIN COOPERATION

PROPOSALS BY WESTERN FIRMS, INCLUDING GM, SEEM A GOOD INDICATION THAT PROGRESS ON THE GDR-CZECH PROJECT HAS NOT BEEN SMOOTH AND THAT THE GDR STILL RETAINS THE OPTION OF PRODUCING A NEW AUTOMOBILE ON ITS OWN OR IN COOPERATION WITH A WESTERN FIRM. (CURRENT DEVELOPMENTS AND PROSPECTS FOR THE GDR AUTOMOTIVE INDUSTRY ARE DISCUSSED IN BERLIN A-40.) END COMMENT. BOLEN

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